

10 May 2024

Mr Renuke Wijayawardhane
Chief Regulatory Officer
Colombo Stock Exchange
#04-01, West Block, World Trade Centre, Echelon Square
Colombo 1

Dear Sir,

LOLC FINANCE PLC – REDUCTION OF STATED CAPITAL

In term of CSE Listing Rule 8A 6.; we write to communicate to you as follows:

LOLC Finance PLC ('the Company') amalgamated with Commercial Leasing & Finance PLC (CLC) on March 31, 2022, and with LOLC Development Finance PLC (LODF) on January 31, 2023, as part of the Central Bank of Sri Lanka's consolidation program. The amalgamation involved issuing new shares to CLC and LODF shareholders based on prevailing market prices. Consequently, the excess consideration from the amalgamations, totalling to Rs. 262,914,889,649 was recorded as a merger reserve within Company's equity, in compliance with accounting guidelines.

At 31st December 2023, the equity of the Company was as follows,

Item	As at 31/12/2023 Rs'000
Stated capital	306,993,806
Statutory reserve	5,213,771
Revaluation reserve	1,247,188
Cash flow hedge reserve	41,014
Fair Value Reserve	331,629
Regulatory loss allowance reserve	6,976,385
Merger Reserve	(262,914,890)
Retained earnings	58,627,431
Total Equity	116,516,334

The stated capital of the Company increased due to the issuance of new shares during the amalgamations, rising from Rs. 12,762,500,000 as of March 31, 2022, to Rs. 306,993,806,000 as of December 31, 2023.

The movement of the stated capital due to the amalgamations was as follows,

Date	Description	Amount Rs'000
31.3.2021	Stated capital balance	12,762,500
31.3.2022	New share issue on the amalgamation with CLC	198,818,948
31.1.2023	New share issue on the amalgamation with LODF	95,412,358
31.12.2023	Stated capital balance	306,993,806

එල් ඩී එල් සී ෆිනෑන්ස් පී එල් සී

සමාගම් ලියාපදිංචි අංකය: PB 244 PQ
අංක 100/1, ශ්‍රී ජයවර්ධනපුර මාවත,
රාජගිරිය, ශ්‍රී ලංකාව.

LOLC FINANCE PLC

Company Registration No: PB 244 PQ
No.100/1, Sri Jayawardanepura Mawatha,
Rajagiriya, Sri Lanka.

எல் ஒ எல் சி பி னான்ஸ் பீஎல்சீ

கம்பனி பதிவிலக்கம்: PB 244 PQ
இல. 100/1, ஸ்ரீ ஜயவர்தனபுர மாவத்தை,
ராஜகிரிய, இலங்கை.

However, due to this increase in stated capital and recognition of the excess on the amalgamation as a negative reserve, the Company finds itself in a circumstance that can be classified as a serious loss of capital situation under the Companies Act No. 7 of 2007, as the net assets is less than half of the stated capital. This situation, though not stemming from operational losses, requires compliance with statutory obligations.

Consequently, the Board of Directors of LOLC Finance PLC ('the Company'), by resolution dated 9th May 2024, has resolved to recommend to the shareholders of the Company to approve, the reduction of the stated capital of the Company to LKR 44,078,916,351 by offsetting the negative merger reserve amounting to LKR 262,914,889,649 against the existing stated capital of LKR 306,993,806,000. It is imperative to emphasize that this course of action will not result in any movement of cash or assets and will not have any impact on the equity of the Company.

A certified extract of the said board resolution is enclosed below.

The aforementioned capital reduction has been duly approved by the Central Bank under the Finance Companies (Structural Changes) Direction No. 1 of 2013.

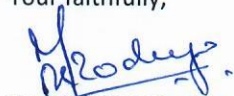
The before and after scenario of the proposed capital reduction is illustrated below.

Item	Before capital reduction – based on 31.12.2023 values	Capital reduction adjustment	After capital reduction – based on 31.12.2023 values
	Amount Rs'000	Amount Rs'000	Amount Rs'000
Stated capital	306,993,806	(262,914,890)	44,078,916
Statutory reserve	5,213,771		5,213,771
Revaluation reserve	1,247,188		1,247,188
Cash flow hedge reserve	41,014		41,014
Fair Value Reserve	331,629		331,629
Regulatory loss allowance reserve	6,976,385		6,976,385
Merger Reserve	(262,914,890)	262,914,890	-
Retained earnings	58,627,431		58,627,431
Total Equity	116,516,334		116,516,334
Number of shares	33,079,212,299		33,079,212,299
Net assets per share (Rs')	3.52		3.52

The envisaged capital reduction outlined above will rectify the current serious loss of capital situation. Upon implementation, the total equity of the Company, amounting to Rs. 116.5 billion, will surpass the stated capital of Rs. 44 billion.

The reduction of the stated capital is subject to shareholder approval at the general meeting by way of a special resolution.

Your faithfully,



Mrs. M V S C Rodrigo
Company Secretary
LOLC Finance PLC